

Message Text

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INFO OCT-01 ISO-00 /005 R

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DRAFTED BY:NEA/PAB:DLBLAKEMORE

APPROVED BY:NEA/PAB:RAPECK

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R 221931Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

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FOLLOWING REPEAT JIDDA 4166 SENT ACTION SECSTATE INFO DHAHRAN,
CAIRO, AMMAN, DAMASCUS, BEIRUT, SANAA, RABAT, & KUWAIT DATED
18 JULY 1974:

QTE

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KUWAIT PASS MUSCAT

E.O.: 11652: N/A

TAGS: EAID, EFIN

SUBJ: SAUDI ECONOMIC ASSISTANCE

REF : STATE 135977

1. PRESS OF WORKLOAD HERE IN PAST MONTH BOTH ON EMBASSY
AND ON SAUDI FINANCIAL FIGURES HAS MADE IT IMPOSSIBLE
TO GATHER SIGNIFICANT NEW EVIDENCE ON SUBJECT OF OVER-
ALL SAUDI AID COMMITMENTS. SAUDIS ARE MOST RELUCTANT TO
SPECIFY AMOUNT OF AID GIVEN AS RESULT OF PASS PHOBIA THAT
THIS ONLY INSPIRES MORE SUPPLICANTS. COMPETITIVE FACTOR
BETWEEN AID RECIPIENTS IS A VERY REAL REASON FOR SAUDIS
TO REMAIN RETICENT. WE MAY NEVER LEARN OUTSIDE OF CERTAIN
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INTELLIGENCE CHANNELS PRECISELY HOW MUCH EACH OF THE

DOZEN HEADS OF STATE WHO HAVE VISITED HERE RECEIVED. CERTAINLY THEIR OWN TESTIMONY IS NOT TO BE TRUSTED. FURTHERMORE, AID PACKAGES CAN BE HIDDEN IN THE GUISE OF LETTERS OF CREDIT AND DEFERRAL OF PAYMENT FOR OIL IN SUCH A WAY THAT IT WOULD TAKE A PRICE WATERHOUSE AUDIT EVEN FOR THE MINISTER OF FINANCE TO PLACE A TAG ON THE TOTALS.

2. WE DO NOT WISH TO ADD TO MISLEADING INFORMATION ON THIS SUBJECT WITHOUT BETTER SOURCES THAN WE HAVE. HOWEVER, IF WE ARE FORCED TO PLACE AN OVER-ALL FIGURE ON TOTALS SO FAR PLEDGED THIS YEAR AND ANSWERS TO SPECIFIC QUESTIONS POSED IN REFTEL, WE WOULD ESTIMATE THE FOLLOWING:

(A) BILATERAL AID: GRANTS AS FOLLOWS:

EGYPT: APPROXIMATELY \$450 MILLION INCLUDING RECENT \$100 MILLION. DISBURSEMENT WAS IMMEDIATE ON FIRST \$350 MILLION. UNKNOWN ON NEW COMMITMENT.

JORDAN: APPROXIMATELY \$77 MILLION, INCLUDING RECENT ARMS TRANSFER PROMISE.

SYRIA: APPROXIMATELY \$200 MILLION. ALL PROBABLY IMMEDIATE.

YEMEN: APPROXIMATELY \$35 MILLION, MOST OF IT IMMEDIATE AND NOMINALLY LOAN FUNDS.

MISCELLANEOUS AFRICAN COUNTRIES: APPROXIMATELY \$90 MILLION WITH MORE PLEDGES COMING.

LOANS AS FOLLOWS:

PAKISTAN: AS MUCH AS \$100 MILLION HAS BEEN PROMISED. FORTY YEAR INTEREST-FREE LOAN.

MOROCCO: THE RECENT \$50 MILLION LOAN MAY BEST BE DESCRIBED AS A GRANT.

OMAN: RECENT \$80 MILLION LOAN. DISBURSEMENT UNKNOWN AND REPAYMENT TERMS UNKNOWN. LIMITED OFFICIAL USE

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SUDAN: A LOAN GUARANTEE OF \$200 MILLION PLUS SOME GRANTS LISTED ABOVE UNDER AFRICAN COUNTRIES.

MISCELLANEOUS: PERHAPS \$20-30 MILLION IN SMALLER BILATERAL PLEDGES WHICH MAY OR MAY NOT BE TAKEN UP. OTHER BILATERAL ASSISTANCE INCLUDES A FEW DEFERRED PAYMENT ARRANGEMENTS (BUT VERY FEW), NO DIFFERENTIAL OIL PRICING

ARRANGEMENTS, SOME PAYMENT FOR TECHNICAL ASSISTANCE, AND A FEW PROMISED JOINT VENTURES THAT COULD BE CLASSED AS A FORM OF AID.

(B) MULTILATERAL AID: SPECIFIC INFORMATION ON COMMITMENTS IS LACKING BUT IT CAN BE ASSUMED THAT THE FOLLOWING ARE FAIRLY FIRM:

1. FOOD FOR PEACE: \$50 MILLION OVER TWO YEARS.
2. OTHER UN AGENCIES: \$3.5 MILLION.
3. IMF/IBRD: PROMISED \$1.2 BILLION PARTICIPATION IN SPECIAL FUND OF IMF PLUS ANOTHER \$50 TO \$100 MILLION IN IBRD BONDS.
4. ISLAMIC AND ARAB INSTITUTIONS SUCH AS THE ISLAMIC DEVELOPMENT BANK, SOLIDARITY FUND, AND ARAB-AFRICAN BANK AND FUND: \$270 MILLION PROMISED, SOME DELIVERED THROUGH LATTER INSTITUTION.

GRAND TOTAL: CALENDAR 1974 PLEDGES AND OBLIGATIONS SHOULD REACH MORE THAN \$3.1 BILLION, ALTHOUGH NOT ALL OF THIS BY ANY MEANS WILL BE DISBURSED THIS YEAR. THE CAVEAT IS THAT SOME OF THIS AID MAY ONLY BE IN THE TALKING STAGE OR ACTUALLY BE NON-EXISTENT SO FAR. HOWEVER, IT IS BELIEVED THAT THE ABOVE GIVES A ROUGH ORDER OF MAGNITUDE.

(C) AID INSTITUTIONS: FORMAL SAUDI AID AGENCIES ARE SPARSE AND FOR THE MOST PART SAG USES INFORMAL AD HOC COMMITTEES SENT TO EVALUATE PLEAS FOR HELP, OR DIRECT LARGESSE FROM THE KING AFTER SUITABLE PROOF OF NEED OR FOR POLITICAL PURPOSES. THE SAUDI ARABIAN MONETARY AGENCY HAS BEEN THE PRIMARY VEHICLE FOR NEGOTIATING THE LARGEST AID COMMITMENTS: THOSE TO THE ARAB AFRICAN DEVELOPMENT LIMITED OFFICIAL USE

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BANK AND TO THE IMF/IBRD. THE SUDANESE ARRANGEMENT INVOLVING A GUARANTEE BY SAG OF BANK LOANS TO THE NEW SUDAN DEVELOPMENT CORPORATION WAS THE RESULT OF A SAUDI COMPANY'S INITIATIVE, WITH GOOD POLITICAL CONNECTIONS.

(D) THE PHILOSOPHY IS CHANGING RAPIDLY AS AWARENESS GROWS OF THE POLITICAL USEFULNESS OF USING AID AS A VEHICLE OF SAUDI AND ISLAMIC POLICY BUT THERE REMAINS A STRONG SUSPICION THAT AID GRANTED AND NOT EARNED THROUGH COST-BENEFIT PROVEN PROJECTS IS WASTED, AND WORSE, LEADS TO PROFLIGATE USE OF RESOURCES BY OTHER NATIONAL ECONOMIES WHO EVENTUALLY TURN AGAINST THEIR DONOR FRIENDS. SAG OFFICIALS RESPECT OUR TECHNICAL ABILITIES BUT ARE HYPERCRITICAL OF OUR PHILOSOPHY OF HELPING OTHERS WITHOUT DISCRIMINATION. THEY WOULD ALSO OBJECT TO CONTRIBUTING TO

MULTILATERAL PROGRAMS THAT HAVE OPERATIONS IN ISRAEL.

3. WE ARE HOPEFUL OF GAINING FAR MORE INSIGHT INTO THIS
SUBJECT IN NEXT FEW MONTHS ONCE WORKING GROUP DIALOGUES
UNDER NEW U.S.-SAUDI COMMISSION ARE UNDERWAY. WE SHALL
CERTAINLY BE REPORTING MORE ON THIS. AKINS UNQTE KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, PETROLEUM, POLICIES, EXPORTERS, FOREIGN ASSISTANCE, LOANS, FINANCIAL CONTRIBUTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE158422
Document Source: CORE
Document Unique ID: 00
Drafter: NEA/PAB:DLBLAKEMORE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740198-0551
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740728/aaaaaxpy.tel
Line Count: 175
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 135977
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by shawdg>; APPROVED <19 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SAUDI ECONOMIC ASSISTANCE
TAGS: EAID, EFIN, SA
To: DACCA ISLAMABAD
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005